Protecting Federal Recovery Act Funds in Iowa

Iowa Accountability and Transparency Board
Internal Control Evaluation

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Presented to:
Iowa Accountability and Transparency Board
September 10, 2009

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Note: Funding Program and Agency Risk Reviews are in accompanying PDF document

INTERNAL CONTROL EVALUATION DESCRIPTION AND PROCESS

The purpose of the internal control evaluation process is to assist the Iowa Accountability and Transparency Board (IATB) in fulfilling its responsibilities outlined in Executive Order 12. The Executive Order establishes a board to ensure that American Reinvestment and Recovery Act (ARRA) funds are spent efficiently, accountably and transparently. In particular the internal control evaluation process provides data and recommendations that directly support the IATB's responsibility of assessing existing practices to prevent waste, fraud and abuse and to provide recommendations regarding opportunities to strengthen those practices. The internal control evaluation team is comprised of ten individuals from the Iowa Department of Management (IDOM), the office of the Auditor of State (AOS) and the Legislative Services Agency (LSA).

An in-depth survey process was undertaken to assess the risk level of each state agency in managing ARRA funds. The process included these steps:
*   Agencies submitted names of demand based, formula based and eight competitive* ARRA funding programs as well as the name and email of the state employee managing the funding program
*   A risk profile survey methodology and survey questions were developed by IDOM and AOS staff
*   The survey was beta-tested
*   Surveys were sent out for each individual funding program
*   Surveys were completed by agencies and the results tabulated
*   Review process: Individual ARRA funding program risk assessment reviews and recommendations were completed by six team members from IDOM and LSA. Four individuals from AOS reviewed and made recommendations for each agency that has received or will be receiving ARRA funds. The AOS determined overall department risk based on single audit reports and any other audit work they conducted with agencies. Copies of these reviews can be found in the attachments.
*   The team of ten convened and as a group discussed each ARRA funding program surveyed. The group agreed upon final determinations of risk, as well as recommendations and captured the results in an Excel spreadsheet which is included in this document.

*not all competitive program grants were included as program criteria was not defined and/or applications for the programs were not complete at the time of the evaluation

KEY FINDINGS

Iowa has a long history of strong audit compliance with state and federal programs. Previous audits have identified no findings of material weakness in internal controls within executive branch agencies [1]. While the federal Office of Management and Budget presumes, "all Federal programs with expenditures of ARRA awards to be programs of higher risk," the internal control assessment recognizes that there are varying levels of risk within individual agencies and programs. The Internal Control team's risk classifications prioritize those programs where the state should be most proactive to prevent waste, mismanagement or abuse of funds.

Of the 82 programs evaluated, six ranked as a high priority and 19 as a medium priority.

High Priority Programs:
1. Office of Energy Independence – State Energy Program
2. Office of Energy Independence – Energy Efficiency & Conservation Block Grants
3. Office of Energy Independence – Energy Efficient Appliance Rebates Program
4. Department of Education – Fiscal Stabilization - Education and Government Services
5. Department of Human Rights – Weatherization Assistance Program
6. Iowa Utilities Board - State Electricity Regulatory Assistance Grant

The primary reasons for recommending additional technical assistance and monitoring included:
1. Significant increase in program funding resulting in a challenge to agency resources.
2. New program with no management history.
3. Personnel with limited experience.

High priority programs were those with the greatest potential for difficulty in fully complying with the unprecedented accountability and transparency requirements in the ARRA. Medium priority programs were those with a limited potential to experience difficulty. Nine programs were labeled as not applicable since the funding has either not yet been awarded or the federal guidelines have not been issued. These will be revisited as awards are made or guidelines issued.

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[1] A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the State of Iowa's internal control.

RECOMMENDATIONS

In order to ensure that Iowa remains in compliance with ARRA requirements three steps should be taken:

1. Training
    All agencies receiving ARRA funding should have training in the following areas made available, with mandatory participation by each high priority agency/program.
    - Internal Controls, especially sub recipient monitoring
    - Procurement – Federal guidelines and fraud prevention. Provided in conjunction with the US Department of Justice, Anti-Trust Division and the US Department of Energy, Office of Inspector General. The Iowa Department of General Services will be involved to ensure that state regulations are addressed.

2. Accountability Plan
    Each agency/program ranked as high priority should develop a comprehensive monitoring plan and protocol to review grant and sub grant supported activities.   The accountability plan should address the following at a minimum:
    - A monitoring schedule;
    - Monitoring policies and procedures;
    - Data collection instruments (e.g., interview guides, review checklists);
    - Monitoring reports and feedback to sub recipients; and
    - Processes for verification of implementation of required corrective actions.

    Timetable:
    Department of Education and Weatherization program: Draft plan submitted to DOM for approval by October 15, final plan submitted by October 30.
    Office of Energy Independence and Iowa Utilities Board: Draft plan submitted to DOM for approval by October 30, final plan submitted by November 16.

3. Internal Process Audits
    - Over the course of the ARRA funding, an internal team should conduct reviews of all high priority agencies to ensure that the agency is complying with their approved Accountability Plan.
    - A random sampling of medium priority agencies should be conducted as staff resources allow. Random sampling selection could be based on total program funding and frequency of payments.

ADDENDUM

Spreadsheet of overall recommendations

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Energy Independence	Energy Efficiency & Conservation Block Grants Program	Internal controls need to be monitored. Sub-recipient contracts need a management reporting process. Lack of management contract controls; need to reassign personnel to focus monitoring process (100 % of fewer staff's time). Train FTE's	H
Energy Independence	Energy Efficient Appliance Rebates Program		H
Energy Independence	State Energy Program		H
Human Rights	Weatherization Assistance Program	Provide additional technical assistance and monitoring to agency. Implement process to monitor sub-recipient contracts and Davis-Bacon requirements.	H
Education	Fiscal Stabilization - Education and Government Services	Provide additional technical assistance and monitoring to agency; many sub-recipients may have problems with reporting. Review how money is being spent; random sample pre-audits. DE to do additional monitoring on specific at-risk school districts.	H

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Iowa Utilities Board	State Electricity Regulatory Assistance Grant	Provide additional technical assistance and monitoring to agency. Since this is a new program, implement sub-recipient monitoring process.	H
Inspections and Appeals	Discretionary Funds	DIA needs a documentation process supporting payroll claims.	M
Cultural Affairs	National Foundation on the Arts and Humanities Act	Provide additional technical assistance and monitoring to agency. Since this is a new program, implement process to monitor sub-recipient contracts.	M
Human Rights	Weatherization Community Services Block Grant	Provide additional technical assistance and monitoring to agency. Determine qualification level of evaluators.	M
Natural Resources	Environmental Protection Agency / Diesel Emissions Reduction Program	Provide additional technical assistance and monitoring to agency. Since this is a new program, implement process to monitor sub-recipient contracts.	M
Education	McKinney-Vento - Ed for Homeless	No need for additional technical assistance and monitoring is evident at this time. Stronger reporting requirements recommended.	M

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Human Services	FMAP Increase	Ensure DHS monitors overpayment process; in general a decent process.	M
Human Services	Food Assistance Recipient Benefits	Ensure DHS monitors overpayment process; in general a decent process.	M
Economic Development	National Neighborhood Stabilization Program	Provide additional technical assistance and monitoring to agency. Since this is a new program, recommend procurement training.	M
Economic Development	HUD/Community Development Fund, Under Title 1 of Housing and Community Development Act of 1974, CDBG Non-Entitlement	Provide additional technical assistance and monitoring to agency. Implement process to monitor sub-recipient contracts and ensure accurate reporting.	M
Transportation	Grants in Aid for Airports	Review programs one-by-one to see if issues apply to the individual program. Sub-recipient problems and reporting problems exist in some DOT programs audited by AOS. Ensure Davis-Bacon requirements are monitored; records retention is in place; purchasing contract language includes all requirements. Recommend DOT provide data and reports on all of the issues delineated above.	M
Transportation	High Speed and Intercity Rail Passenger		M
Transportation	Highway Infrastructure		M
Transportation	Supplemental Discretionary		M
Transportation	Transit Capital Grants		M
Transportation	Transit Capital Grants-Discretionary Component		M

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Iowa Finance Authority	HUD/Homelessness Prevention and Rapid Re-housing Program	Provide technical assistance to ensure monitoring systems and reporting systems can handle additional workload. Dept requested additional assistance.	M
Workforce Development	UI State Administrative Grant	It may be prudent to have an on-site visit with the agency contact to further determine risk. TA and monitoring may be minimal as IWD has vast experience in managing federal funds.	M
Vocational Rehabilitation	Independent Living	Voc Rehab's last audit had issues with reporting matching funds accurately. This program has matching funds. It may be prudent to have an on-site visit with the agency to ensure risk has been mitigated through tighter reporting processes. Federal government has identified possible problems.	M
Vocational Rehabilitation	Vocational Rehabilitation	Federal government has identified possible problems. It may be prudent to have an on-site visit with the agency to ensure risk has been mitigated through tighter reporting processes.	M

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Corrections	Fiscal Stabilization-Government Services - Anamosa	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services - Clarinda	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services – Fort Dodge	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services – Fort Madison	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services - Mitchellville	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services – Mount Pleasant	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services - Newton	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services - Oakdale	No need for additional technical assistance and monitoring is evident at this time	L

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Corrections	Fiscal Stabilization-Government Services – Rockwell City	No need for additional technical assistance and monitoring is evident at this time	L
Corrections	Fiscal Stabilization-Government Services – Central Office	No need for additional technical assistance and monitoring is evident at this time	L
Natural Resources	Environmental Protection Agency / Leaking Underground Storage Tanks	The need for additional technical assistance and monitoring is not evident at this time	L
Public Safety	Government Stabilization Funds	No need for additional technical assistance and monitoring is not evident at this time	L
Public Safety	Internet Crimes Against Children	No need for additional technical assistance and monitoring is not evident at this time	L
Drug Control Policy, Office of	Byrne-JAG Formula Grants	No need for additional technical assistance and monitoring is not evident at this time	L
Education	Title1 – LEA Grants	No need for additional technical assistance and monitoring is evident at this time	L

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Education	School Lunch Equipment grants	No need for additional technical assistance and monitoring is evident at this time	L
Education	Educational Technology	No need for additional technical assistance and monitoring is evident at this time	L
Education	Special Education - Part B	No need for additional technical assistance and monitoring is evident at this time	L
Education	Special Education - Part B Preschool	No need for additional technical assistance and monitoring is evident at this time	L
Education	Special Education - Part C	No need for additional technical assistance and monitoring is evident at this time	L
Education	Title I - School Improvement Grants	No need for additional technical assistance and monitoring is evident at this time	L
Education	Head Start	No need for additional technical assistance and monitoring is evident at this time	L
Human Services	Child Support Services	No need for additional technical assistance and monitoring is evident at this time	L

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Human Services	Supplemental Nutrition Assistance Program - Administration	No need for additional technical assistance and monitoring is evident at this time	L
Human Services	Commodity Assistance Program (TEFAP-Administration)	No need for additional technical assistance and monitoring is evident at this time	L
Aging	Administration on Aging/Senior Nutrition Program	No need for additional technical assistance and monitoring is evident at this time	L
Aging	Labor, Dept. of/Senior Internship Program	No need for additional technical assistance and monitoring is evident at this time	L
Iowa Finance Authority	HUD/Project-Based Rental Assistance	No need for additional technical assistance and monitoring is evident at this time	L
Iowa Finance Authority	HUD/Tax Credit Assistance Program	No need for additional technical assistance and monitoring is evident at this time	L
Iowa Finance Authority	US Treasury/Treasury Housing Credit Exchange Program	No need for additional technical assistance and monitoring is evident at this time	L
Workforce Development	Extension of Emergency UI Compensation	No need for additional technical assistance and monitoring is evident at this time	L

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Workforce Development	UI Modernization/Reed Act	No need for additional technical assistance and monitoring is evident at this time	L
Workforce Development	UI Increased Weekly Benefits	No need for additional technical assistance and monitoring is evident at this time	L
Workforce Development	Wagner-Peyser / RES State Employment Services	No need for additional technical assistance and monitoring is evident at this time	L
Workforce Development	WIA Adult and Dislocated Worker	No need for additional technical assistance and monitoring is evident at this time	L
Workforce Development	WIA Youth	No need for additional technical assistance and monitoring is evident at this time	L
Workforce Development	Work Opportunity Tax Credit	No need for additional technical assistance and monitoring is evident at this time	L
Public Health	Immunization Program (317)	No need for additional technical assistance and monitoring is evident at this time	L
Public Health	Women, Infants & Children (WIC)	No need for additional technical assistance and monitoring is evident at this time	L

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Public Defense	Dept of Public Defense (Air)	No need for additional technical assistance and monitoring is evident at this time. Ensure agency is comfortable with accounting staff workload	L
Public Defense	Dept of Public Defense (Army Guard)	No need for additional technical assistance and monitoring is evident at this time. Ensure agency is comfortable with accounting staff workload	L
Public Defense	Government Services Stabilization	No need for additional technical assistance and monitoring is evident at this time. Ensure agency is comfortable with accounting staff workload	L
Natural Resources	Clean Water State Revolving Fund	No need for additional technical assistance and monitoring is evident at this time	L
Natural Resources	Drinking Water State Revolving Fund	No need for additional technical assistance and monitoring is evident at this time	L
Human Rights	Community Services Block Grant	No need for additional technical assistance and monitoring is evident at this time	L

Agency	Funding Program	Final Recommendation	Priority Level - High, Medium, Low; Not Applicable
Iowa Veterans Home	VA Construction Grant Program	No need for additional technical assistance and monitoring is evident at this time	L
Human Services	Title IV-E (6.2% increase-foster care, adoption, guardianship	No need for additional technical assistance and monitoring is evident at this time	L
Human Services	Child Care Block Grant	No need for additional technical assistance and monitoring is evident at this time	L
Board of Regents	Dept. of Commerce	Reevaluate if funding is awarded.	N/A
Board of Regents	NASA	Reevaluate if funding is awarded.	N/A
Board of Regents	National Institute for Health	Reevaluate if funding is awarded.	N/A
Board of Regents	National Science Foundation	Reevaluate if funding is awarded.	N/A
ICN	Network Backbone Equipment	Follow up after awards are made.	N/A
ICN	Terawave Equipment	Follow up after awards are made.	N/A
Public Health	Chronic Disease (Wellness)	Revisit when federal guidelines are released.	N/A
Public Health	Health Acquired Infections	Revisit when federal guidelines are released.	N/A
Public Health	Health Information Technology	Revisit when federal guidelines are released.	N/A

ADDENDUM

Survey

Risk Profile Survey

Survey Purpose

The purpose of this survey is to provide an initial risk screen to help the Iowa Accountability and Transparency Board fulfill their responsibility of providing on-time audits of programs receiving funding from the American Recovery and Reinvestment Act (ARRA). The information in this survey is related to funding for one particular funding program as referenced. Please answer questions in reference to that particular ARRA funding program.
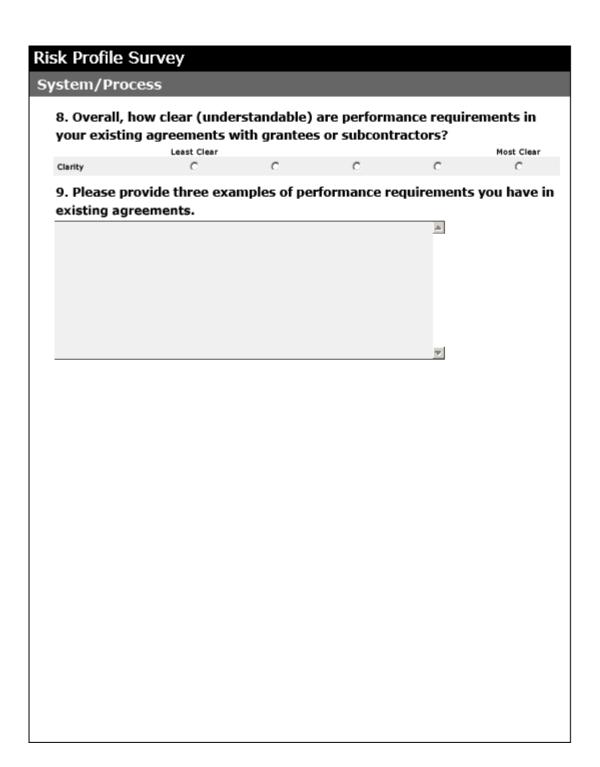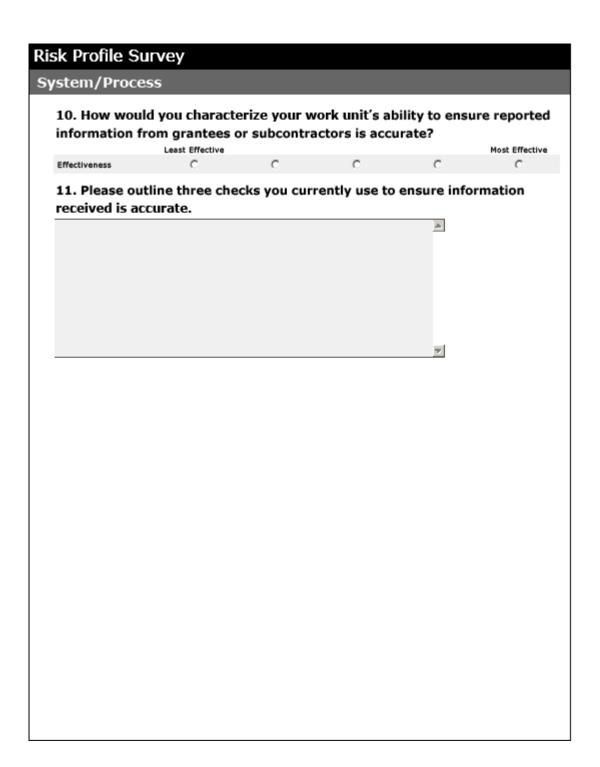
Risk Profile Survey

Load & Capacity

1. What is the estimated annual number of sub-recipient agreements this program will be responsible for administering once you have dispersed ARRA funding? A sub-recipient is a non-Federal entity that expends Federal awards received from your agency to carry out a Federal program but does not include an individual who is a beneficiary of such a program (such as those receiving public assistance). (Please type in an estimated number)

2. How many years has this program been in existence within your agency? (If the answer is less than 1 year, please enter 0)

Risk Profile Survey

Load & Capacity

3. How many full-time equivalents does your work unit have dedicated to this program's ARRA grant or contract administration? Full-time equivalent should be determined by estimating the average total hours spent on ARRA contract or grant administration a week by personnel in your work unit divided by the total number of work hours available to those same personnel during a normal work week (i.e. 40 hours multiplied by the number of personnel with grant/contract responsibilities). (Please type in an estimated number)

4. What is the average years of experience your work unit personnel, working on this program, have in implementing federally funded programs? (Please type in a number between 0 and 40)

5. How would you rate your personnels' understanding of and experience with Iowa's procurement guidelines?

	Least Extensive				Most Extensive
Understanding	○	○	○	○	○

Risk Profile Survey

System/Process

6. How frequently does your work unit normally monitor grant/contract performance?

[ ]

7. How consistent are your approaches to grant/contract monitoring? Consistent infers a common, repeatable approach.

	Least Consistent				Most Consistent
Consistency	○	○	○	○	○

Risk Profile Survey

System/Process

8. Overall, how clear (understandable) are performance requirements in your existing agreements with grantees or subcontractors?

	Least Clear				Most Clear
Clarity	○	○	○	○	○

9. Please provide three examples of performance requirements you have in existing agreements.

Risk Profile Survey

System/Process

10. How would you characterize your work unit's ability to ensure reported information from grantees or subcontractors is accurate?

	Least Effective				Most Effective
Effectiveness	○	○	○	○	○

11. Please outline three checks you currently use to ensure information received is accurate.

Risk Profile Survey

Recipients

12. What best characterizes the way this ARRA program's funding will be distributed to the party actually carrying out the service or work? (More than one answer may be selected)

- ☐ State agency to contractor/grantee to subcontractor/grantee
- ☐ State agency to contractor/grantee
- ☐ State agency to established public/quasi-public organization
- ☐ State agency to state agency

13. How mature is your work unit's relationships with potential contractors/grantees?

	Least Mature				Most Mature
Maturity	○	○	○	○	○